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Notices

**DEPARTMENT OF ENERGY (DOE)**

Western Area Power Administration

Salt Lake City Area Integrated Projects Firm Power, Colorado River Storage Project Transmission, and Ancillary Services Rates

67 FR 10189

**DATE:** Wednesday, March 6, 2002

**ACTION:** Notice of proposed rate adjustments.

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To view the next page, type .np\* TRANSMIT.

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[\*10189]

**SUMMARY:** The Western Area Power Administration's (Western) Colorado River Storage Project Management Center (CRSP MC) is proposing adjustments to the Salt Lake City Area Integrated Projects (SLCA/IP) firm power, the CRSP transmission, and the ancillary services rates. The SLCA/IP consists of the CRSP, Collbran, and Rio Grande projects, which were integrated for marketing and ratemaking purposes on October 1, 1987. Two CRSP participating projects that have power facilities, the Dolores and Seedskaadee projects, are also integrated with CRSP. The current firm power, transmission, and ancillary services rates expire March 30, 2003. The current rate is not sufficient to pay all annual costs including operating, maintenance, replacement, and interest expenses, and to repay investment and irrigation assistance obligations within the required period. The proposed rates will provide sufficient revenue to pay all annual costs, including operation, maintenance, replacement, purchased power, and interest expenses, and to repay investment and irrigation assistance obligations within the allowable period. A brochure that identifies the reasons for the rate adjustment will be available in February 2002. Proposed rates are scheduled to become effective on October 1, 2002, the beginning of Federal fiscal year (FY) 2003. This Federal Register notice initiates the formal process for the proposed rates.

**DATES:** The consultation and comment period begins today and ends June 4, 2002. Western representatives will explain the proposed rates at a public forum on March 19, 2002, beginning at 10 a.m., Salt Lake City, UT. Interested parties can provide oral and written comments at a public forum on April 23, 2002, beginning at 10 a.m., at the same location.

**ADDRESSES:** The meetings will be held at Hilton Salt Lake City Center, 255 South West Temple, Salt Lake City, UT. If you are interested in sending comments, address them to: Mr. David Bennion, Acting CRSP Manager, CRSP Management Center, Western Area Power Administration, P.O. Box 11606, Salt Lake City, UT 84147-0606, e-mail [bennion@wapa.gov](mailto:bennion@wapa.gov). Western must receive comments by the end of the consultation and comment period to be assured consideration.

**FOR FURTHER INFORMATION CONTACT:** Ms. Carol Loftin, Rates Manager, CRSP Management Center, Western Area Power Administration, P.O. Box 11606, Salt Lake City, UT 84147-0606, telephone (801) 524-6380, e-mail [loftinc@wapa.gov](mailto:loftinc@wapa.gov), or visit CRSP MC's home page at: [www.wapa.gov/crsp/crsp.htm](http://www.wapa.gov/crsp/crsp.htm).

**SUPPLEMENTARY INFORMATION:**

Proposed Rate for SLCA/IP Firm Power

The proposed rate for SLCA/IP firm power is designed to return an annual amount of revenue to meet the repayment of power investment, payment of interest, purchased power, operation, maintenance and replacement expenses, and the repayment of irrigation assistance costs, as required by law. A brochure that identifies the reasons for the rate adjustment will be available in February 2002.

The Department of Energy (DOE) Deputy Secretary approved Rate Schedule SLIP-F6 for SLCA/IP firm power on March 23, 1998 (Rate Order No. WAPA-78, April 6, 1998), and the Federal Energy Regulatory Commission (FERC) confirmed and approved the rate schedule on July 17, 1998, in FERC Docket No. EF98-5171-000. Rate Schedule SLIP-F6 became effective on April 1, 1998, for the period ending March 30, 2003. Under Rate Schedule SLIP-F6, the energy rate is 8.10 mills/kilowatt-hour (kWh), and the capacity rate is \$3.44 per kilowatt-month (kWmonth). The composite rate (revenue requirements per kWh usage) is 17.57 mills/kWh.

The proposed rate would consist of a base rate and a purchase adder rate (PAR). The base rate would meet all estimated firm power revenue requirements except the cost for purchased power. The proposed base rate for SLCA/IP firm power under SLIP-F7, is 8.4 mills/kWh for energy and \$3.57 per kWmonth for capacity. The proposed composite base rate is 18.32 mills/kWh.

The PAR would be established for 2-year periods to meet the cost of purchased power based on near-term projections of energy purchases and prices. The PAR estimate would be based on current energy pricing levels and the Bureau of Reclamation's (Reclamation) current 24-month hydrological study.

Both the firm power base rate and the PAR will apply to all firm power customers and become effective October 1, 2002.

#### Base Rate

The proposed base rate revenue requirements are based on the FY 2003 work plans for Western and Reclamation. These work plans form the bases for the FY 2003 Congressional budgets for the two agencies. The most current work plans will be included in the rate order submission. The FY 1999 historical data are the latest available for the rate proposal. As FY 2000 and FY 2001 historical data become available, they will be incorporated into the final rate-setting study.

The rate increase results from the increase in net annual revenue requirements of \$2.9 million per year over the rate-setting period. The increased revenue requirements primarily stem from an increase of \$25.8 million in annual operation and maintenance (O&M) costs, which include costs for both Western and Reclamation. The purchased power costs of \$5.4 million per year in the existing rate are no longer included in the base rate. Other miscellaneous revenue requirement increases amount to \$2.1 million. These increases in projected annual expenses are offset by an increase in projected revenues amounting to about \$13.4 million per year, most of which are a result of the CRSP merchant function activities, CRSP transmission sales, and ancillary services sales. Furthermore, integrated projects' revenue requirements, interest, and principal payments collectively decreased by about \$6.2 million.

#### Purchase Adder Rate

The PAR is computed by reviewing Reclamation's 24-month hydrological study for the Upper Colorado River Basin to project generation resources. This amount is compared with contractual Sustainable Hydro Power (SHP) customer commitments for energy to determine purchase requirements. The purchased requirements are [\*10190]multiplied by the forecasted future prices during the same time period.

The estimated purchased power costs based on these projections for energy requirements and prices for the two future years are divided by the total customer sales commitments (6,007 GWH) to determine the adder energy rate.

At the end of the 2-year period, Western in consultation with the SLCA/IP customers, will compare the actual purchased power costs with what was projected for the same period. The surplus or deficit amount resulting from this comparison will be combined with a recalculation of the PAR formula for the following 2 years.

The following table is a comparison of the current and proposed SLCA/IP firm power rate and an example of the PAR. For the PAR example, the table assumes purchased power requirements of 514 GWH per year and an energy price of 30 mills/kWh. For FY 2003 and FY 2004 the PAR would be 2.6 mills/kWh.

Comparison of Current and Proposed Firm Power Rates and Purchase Adder Rate Example			
Rate schedule	Current rate April 1, 1998- 30-Mar-03 SLIP-F6	Proposed rate Oct. 1, 2002- 30-Sep-07 SLIP-F7	Increase
Base Rate:			
Energy (mills/kWh)	8.1	8.4	0.3
Capacity (\$ /kWmonth)	3.44	3.57	0.13
Composite Rate:			
Base Rate	17.57	18.32	0.75
PAR Example (mills/kWh)	N/A	2.6	N/A
Total	17.57	20.92	3.35

#### Adjustment Clauses Associated With the Proposed Rate for SLCA/IP Firm Power

All adjustment clauses for the proposed rate remain the same as those included in the current rate with the exception of the purchased resources adjustment. Since all customers have signed the Replacement Purchase Options Amendment, it is no longer necessary to include the statement that "contractors who are not receiving service under the Replacement Purchase Options Amendment will also receive additional firming on a pass-through-cost basis. This adjustment is to ensure that Western recovers the purchased power costs and any other associated costs for the firming purchases."

#### Proposed Rate Formula for CRSP Transmission Services

A new rate methodology is being proposed that is more consistent with the methodology used at other Western regions and other utilities. The proposed methodology is an annual fixed charge formula that will be used to determine the revenue requirement to be recovered from firm and non-firm transmission service. The annual transmission revenue requirements include O&M expenses, administrative and general expenses, interest expense, and depreciation expense. This revenue requirement is offset by appropriate CRSP transmission system revenues. The proposed rates apply to current and future CRSP transmission service and include the cost for scheduling, system control, and dispatch service. The cost of transmission service to provide Western's Firm Electric Service will continue to be included in the SLCA/IP firm power rate, consistent with existing contracts.

#### Firm Point-to-Point

The firm point-to-point rate is based on a test year using an annual fixed charge methodology. This test year relies upon the most recent historical audited data available. The annual revenue requirements are reduced by revenue credits such as non-firm transmission and phase shifter revenues. The resultant net annual revenue requirement is divided by the capacity reservation needed to meet firm power and transmission commitments in kW, plus the total network integration loads at system peak, to derive a cost/kilowattyear (kWyear). As current FY financial data becomes available, they will be incorporated and used as the test year. The proposed rate for firm point-to-point CRSP transmission service is \$25.96 per kWyear, which equates to \$2.14 per kWmonth for FY 2003, based on FY 1999 audited data. As FY 2000 and FY 2001 audited data become available, these will be incorporated and used as the test year. Each year, the formula will be recalculated to determine if a revised rate needs to be implemented. The rate formula is proposed to be in effect until September 30, 2007. The cost/kWyear is calculated using the following formula:

$$(1) \text{ARR-TRC} = \text{NARR}$$

## (2) NARR

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### TSTL

Where:

ARR = Annual Revenue Requirements

TRC = Transmission Revenue Credits

NARR = Net Annual Transmission Revenue Requirements

TSTL = CRSP Transmission System Total Load

### Non-Firm Point-to-Point

The proposed rate for non-firm point-to-point CRSP transmission service is a mills/kWh rate based on market conditions but never higher than the firm point-to-point rate. This rate will remain in effect concurrently with the firm point-to-point rate.

### Network

The proposed rate for network transmission, if offered by CRSP MC, will be consistent with Western's Tariff, the rate methodology in FERC Order No. 888, and will be based on the annual revenue requirements then in effect, as determined by the annual fixed charge methodology.

Western is not currently providing network transmission on its CRSP transmission system and only has available transmission capacity on isolated portions of the CRSP transmission system.

### Adjustment Clauses Associated with the Proposed Rates for Firm and Non-Firm Transmission Services

#### Reactive Power

This provision in Rate Schedules SP-PTP5, SP-NW1, and SP-NFT4 will remain the same under the proposed rates for CRSP transmission.

#### Adjustment for Losses

The adjustment for losses provision contained in Rate Schedules SP-PTP5, SP-NW1, and SP-NFT4 will remain the [\*10191] same and also include a statement to allow for financial compensation to recover losses. The following statement will be added to the existing provision: "If losses are not fully provided by a transmission customer, charges for financial compensation may apply." This provides for compensation to Western for those instances in which losses were not adequately provided for in the form of energy.

#### Adjustment for Industry Restructuring

The proposed rates for CRSP transmission include a provision to pass through electric industry restructuring costs associated with providing transmission service. These costs will be passed through to each appropriate transmission customer. This provision will be included as an adjustment clause in the transmission rate schedules for firm and non-firm transmission.

#### Proposed Rates for Ancillary Services

On April 1, 1998, the Western Area Upper Colorado (WAUC) control area, within which most of the CRSP transmission system lies, operated by the CRSP MC, was merged into two other control areas. These control areas are the Western Area Colorado Missouri (WACM), operated by Western's Rocky Mountain Region (RMR), and the Western Area Lower Colorado (WALC), operated by Western's Desert Southwest Region (DSWR). The boundary between these control areas is the Shiprock Substation.

Six ancillary services will be offered by CRSP MC; they are (1) scheduling, system control, and dispatch service, (2) reactive supply and voltage control service, (3) regulation and frequency response service, (4) energy imbalance service, (5) spinning reserve service, and (6) supplemental reserve service. The first two, scheduling, system control, and dispatch service, and reactive supply and voltage control service are required to be purchased by the CRSP transmission customer. The remaining four will also be offered either from the control area or from the CRSP MC Merchant. The following table summarizes the ancillary services available.

Proposed SLCA/IP Ancillary Services Rates		
Ancillary service type	Ancillary service description	Rate
Scheduling, System Control, and Dispatch	Required to schedule the movement of power through, out of, within, or into a control area	Included in transmission rate.
Reactive Supply and Voltage Control	Reactive power support provided from generation facilities that is necessary to maintain transmission voltages within acceptable limits of the system	DSWR rate schedule--DSW-RS1, or RMR rare schedule--L-AS2 or as superseded will apply.
Regulation and Frequency Response	Providing generation to match resources and loads on a real-time continuous basis	If available from SLCA/IP resources, the firm capacity rate will apply. If unavailable, DSWR rate schedule--DSW-FR1, or RMR rate schedule--L-AS3 or as superseded will apply.
Energy Imbalance	Provided when a difference occurs between the scheduled and actual delivery of energy to a load or from a generation resource within a control area over a single hour	Provided through DSWR rate schedule--DSW-EI1 and RMR rate schedule--L-AS4 or as superseded, or the customer can make alternative comparable arrangements.
Spinning Reserve	Needed to serve load immediately in the event of a system contingency	Market-based rate.
Supplement Reserve	Needed to serve load in the event of a system contingency; however, it is not	Market-based rate.

available immediately  
to serve load, but  
rather within a short  
period of time

#### Scheduling, System Control, and Dispatch

This is the only service included in the CRSP transmission rate. Firm power and transmission customers receive this service at no additional charge.

#### Reactive Supply and Voltage Control

This ancillary service is not included in the CRSP transmission service rate. CRSP transmission customers will be required to purchase this service from the WACM or WALC control area operator. The rate schedules of DSWR or RMR will apply, according to which control area provides this service.

#### Regulation and Frequency Response

If the CRSP MC has regulation available for sale, it will charge the SLCA/IP firm power capacity rate currently in effect. If regulation is unavailable from the CRSP MC, the customer may obtain it from the WALC or WACM control areas. Transmission customers serving loads within the transmission provider's control area must acquire this ancillary service from Western, from a third party, or by self supply.

#### Energy Imbalance

This ancillary service is not included in the CRSP transmission service rate. Transmission customers serving loads within the transmission provider's control area must acquire this ancillary service from Western, from a third party, or by self supply. If this service is provided by Western, the rate schedules of DSWR or RMR will apply, according to which control area provides this service.

#### Spinning and Supplemental Reserves

These ancillary services are not included in the CRSP transmission service rate. The CRSP MC will charge current market rates for these reserves. Transmission customers serving loads within the transmission provider's control area must acquire these ancillary services from Western, from a third party, or by self supply.

#### Procedural Requirements

Since the proposed rates constitute a major rate adjustment as defined by the procedures for public participation in general rate adjustments, as cited below, Western will hold both public information forums and public comment forums. After considering comments, Western will recommend proposed rates for interim approval by the DOE Deputy Secretary.

The proposed SLCA/IP firm power, CRSP transmission, and ancillary services rates are being established pursuant to the Department of Energy Organization Act, 42 U.S.C. 7101-7352; [\*10192] the Reclamation Act of 1902, ch. 1093, 32 Stat. 388, as amended and supplemented by subsequent enactments, particularly section 9(c) of the Reclamation Project Act of 1939, 43 U.S.C. 485h(c); and other acts specifically applicable to the projects involved.

By Delegation Order No. 00-037.00, effective December 6, 2001, the Secretary of DOE delegated (1) the authority to develop long-term power and transmission rates on a nonexclusive basis to Western's Administrator, (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary, and (3) the authority to confirm, approve, and place into effect on a final basis, to remand or to disapprove such rates to FERC. Existing DOE procedures for public participation in power rate adjustments (10 CFR part 903) became effective on September 18, 1985.

## Availability of Information

Interested parties may review and copy all brochures, studies, comments, letters, memorandums, or other documents made or kept by Western in developing the proposed rates. These documents are at the CRSP MC, located at 150 East Social Hall Avenue, Suite 300, Salt Lake City, Utah.

## Regulatory Procedural Requirements

### Regulatory Flexibility Analysis

The Regulatory Flexibility Act of 1980 (*5 U.S.C. 601*, et seq.) requires Federal agencies to perform a regulatory flexibility analysis if a final rule is likely to have a significant economic impact on a substantial number of small entities and there is a legal requirement to issue a general notice of proposed rulemaking. This action does not require a regulatory flexibility analysis since it is a rulemaking of particular applicability involving rates or services applicable to public property.

### Environmental Compliance

In compliance with the National Environmental Policy Act of 1969 (NEPA) (*42 U.S.C. 4321*, et seq.); Council on Environmental Quality Regulations (40 CFR parts 1500-1508); and DOE NEPA Regulations (10 CFR part 1021), Western has determined that this action is categorically excluded from preparing an environmental assessment or an environmental impact statement.

### Determination Under Executive Order 12866

Western has an exemption from centralized regulatory review under Executive Order 12866; therefore, this notice requires no clearance by the Office of Management and Budget.

### Small Business Regulatory Enforcement Fairness Act

Western has determined that this rule is exempt from Congressional notification requirements under *5 U.S.C. 801* because the action is a rulemaking of particular applicability relating to rates or services and involves matters of procedure.

Dated: February 15, 2002.

Michael S. HacsKaylo,

Administrator.

[FR Doc. 02-5308 Filed 3-5-02; 8:45 am]

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DATE: MAY 26, 2004

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65 FR 11300

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